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Sixty-first session
Agenda item 51

Macroeconomic policy questions

Report of the Second Committee*

Rapporteur: Ms. Vanessa **Gomes** (Portugal)

1. At its 2nd plenary meeting, on 13 September 2006, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its sixty-first session the item entitled:

"Macroeconomic policy questions:

"(a) International trade and development;

"(b) International financial system and development;

"(c) External debt crisis and development;

"(d) Commodities"

and to allocate it to the Second Committee.

2. The Second Committee held a substantive debate jointly on sub-items (b) to (d) at its 7th and 8th meetings, on 9 October 2006, and on sub-item (a) at its 13th and 14th meetings, on 17 October. An account of the Committee's discussion of the item is contained in the relevant summary records (A/C.2/61/SR.7, 8, 13 and 14). Attention is also drawn to the general debate held by the Committee at its 2nd to 6th meetings, from 2 to 4 October (see A/C.2/61/SR.2-6). An account of the Committee's further consideration of the item will be given in the addenda to the present report.

* The report of the Committee on this item will be issued in five parts, under the symbol A/61/420 and Add.1-4.

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3. For its consideration of the item, the Committee had before it the following documents:

Item 51
Macroeconomic policy questions

Letter dated 28 September 2006 from the Permanent Representative of South Africa to the United Nations addressed to the Secretary-General (A/61/486)

(a) International trade and development

Reports of the Trade and Development Board on its thirty-eighth and thirty-ninth executive sessions (A/61/15 (Parts I and II)), its twenty-third special session (ibid. (Part III)) and its fifty-third regular session (ibid. (Part IV))[1]

Report of the Secretary-General on international trade and development (A/61/272)

(b) International financial system and development

Report of the Secretary-General on the international financial system and development (A/61/136)

(c) External debt crisis and development

Report of the Secretary-General on recent developments in external debt (A/61/152)

(d) Commodities

Note by the Secretary-General transmitting the report of the United Nations Conference on Trade and Development (UNCTAD) on world commodity trends and prospects (A/61/202)

4. At the 7th meeting, on 9 October, introductory statements were made under sub-items (b) to (d) by the Chief of the Policy Analysis and Development Branch, Financing for Development Office, Department of Economic and Social Affairs; the Chief of the Debt and Development Finance Branch, Division on Globalization and Development Strategies, UNCTAD; and the Chief of the Commodities Branch, Division on International Trade in Goods and Services and Commodities, UNCTAD (see A/C.2/61/SR.7).

5. Also at the 7th meeting, the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States made a statement (see A/C.2/61/SR.7).

6. At the 13th meeting, on 17 October, introductory statements were made under sub-item (a) by the Secretary-General of UNCTAD and the President of the Trade and Development Board (see A/C.2/61/SR.13).

7. At the same meeting, a question was posed by the delegation of Benin, to which the Secretary-General of UNCTAD responded (see A/C.2/61/SR.13).

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[1] To be issued as *Official Records of the General Assembly, Sixty-first Session, Supplement No. 15* (A/61/15).

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Sixty-first session
Agenda item 51 (a)

Macroeconomic policy questions: international trade and development

Report of the Second Committee*

Rapporteur: Ms. Vanessa **Gomes** (Portugal)

I. Introduction

1. The Second Committee held a substantive debate on agenda item 51 (see A/61/420, para. 2). Action on sub-item (a) was taken at the 24th and 32nd meetings, on 2 November and 1 December 2006. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/61/SR.24 and 32).

II. Consideration of draft resolution A/C.2/61/L.14

2. At the 24th meeting, on 2 November, the representative of South Africa, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "International trade and development" (A/C.2/61/L.14).

3. At its 32nd meeting, on 1 December, the Committee was informed that the draft resolution had no programme budget implications.

4. At the same meeting, the Committee adopted draft resolution A/C.2/61/L.14 by a recorded vote of 107 to 1, with 52 abstentions (see para. 6). The voting was as follows:

In favour:

Afghanistan, Algeria, Angola, Antigua and Barbuda, Argentina, Armenia, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belize, Benin, Bhutan, Bolivia, Botswana, Brazil, Brunei Darussalam, Burkina Faso, Burundi, Cambodia, Cape Verde, Central African Republic, Chile, China,

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Colombia, Congo, Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Eritrea, Ethiopia, Gambia, Ghana, Grenada, Guatemala, Guinea, Guyana, Haiti, Honduras, India, Indonesia, Iran (Islamic Republic of), Iraq, Jamaica, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Lao People's Democratic Republic, Lebanon, Lesotho, Liberia, Libyan Arab Jamahiriya, Madagascar, Malawi, Malaysia, Maldives, Mali, Mauritania, Mauritius, Mongolia, Morocco, Mozambique, Namibia, Nepal, Niger, Nigeria, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Qatar, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saudi Arabia, Senegal, Singapore, Solomon Islands, South Africa, Sri Lanka, Sudan, Suriname, Syrian Arab Republic, Tajikistan, Thailand, Timor-Leste, Togo, Trinidad and Tobago, Tunisia, United Arab Emirates, United Republic of Tanzania, Uruguay, Venezuela (Bolivarian Republic of), Viet Nam, Yemen, Zambia, Zimbabwe.

Against:

United States of America.

Abstaining:

Albania, Andorra, Australia, Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mexico, Moldova, Monaco, Montenegro, Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Romania, Russian Federation, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, the former Yugoslav Republic of Macedonia, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland.

5. Before the vote, statements were made by the representatives of South Africa (on behalf of the States Members of the United Nations that are members of the Group of 77 and China) and Brazil (on behalf of MERCOSUR). Also before the vote, statements in explanation of vote were made by the representatives of Finland (on behalf of the States Members of the United Nations that are members of the European Union and Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, Romania, Serbia, the former Yugoslav Republic of Macedonia and Turkey, as well as Iceland, Moldova and Ukraine), the United States of America, the Russian Federation and the Republic of Korea; after the vote, a statement in explanation of vote was made by the representative of Japan (see A/C.2/61/SR.32).

III. Recommendation of the Second Committee

6. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

International trade and development

The General Assembly,

Recalling its resolutions 56/178 of 21 December 2001, 57/235 of 20 December 2002, 58/197 of 23 December 2003, 59/221 of 22 December 2004 and 60/184 of 22 December 2005 on international trade and development,

Recalling also the provisions of the United Nations Millennium Declaration[1] pertaining to trade and related development issues, as well as the outcomes of the International Conference on Financing for Development, the World Summit on Sustainable Development and the 2005 World Summit Outcome,

Recalling further its resolution 60/265 on follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and other internationally agreed development goals,

Reaffirming the value of multilateralism to the global trading system and the commitment to achieving a universal, rule-based, open, non-discriminatory and equitable multilateral trading system that contributes to growth, sustainable development and employment generation in all sectors, and emphasizing that bilateral and regional trading arrangements should contribute to the goals of the multilateral trading system,

Stressing the importance of open, transparent, inclusive, democratic and more orderly processes and procedures for the effective functioning of the multilateral trading system, including in the decision-making process, so as to enable developing countries to have their vital interests duly reflected in the outcome of trade negotiations,

Reiterating that development concerns form an integral part of the Doha Development Agenda, which places the needs and interests of developing and least developed countries at the heart of the Doha work programme,[2]

Noting that agriculture lags behind the manufacturing sector in the process of establishment of multilateral disciplines and in the reduction of tariff and non-tariff barriers, and that, since most of the world's poor make their living from agriculture, the livelihood and standards of living of many of them are seriously jeopardized by the serious distortions in production and trade in agricultural products caused by the high levels of export subsidies, trade-distorting domestic support and protectionism by many developed countries,

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[1] See resolution 55/2.

[2] A/C.2/56/7, annex.

Taking note of the reports of the Trade and Development Board[3] as well as the report of the Secretary-General,[4]

1. *Expresses serious concern* at the indefinite suspension of the trade negotiations of the World Trade Organization and considers it a serious setback for the Doha Round, which places development at the heart of the multilateral trading system, and calls upon the developed countries to demonstrate the flexibility and political will necessary to break the current impasse in the negotiations, and also calls for an early resumption of negotiations adhering to the development imperatives and commitments of the Doha Ministerial Declaration,[5] the decision of 1 August 2004 of the General Council of the World Trade Organization[5] and the Hong Kong Ministerial Declaration;

2. *Stresses* that in order for the Doha Round to be concluded satisfactorily, the negotiations should result in the establishment of rules and disciplines in the area of agriculture, adhering to the development imperatives and commitments of the Doha Ministerial Declaration, the decision of 1 August 2004 of the General Council of the World Trade Organization and the Hong Kong Ministerial Declaration;

3. *Also stresses* the need for negotiations of the World Trade Organization in non-agricultural market access to live up to the development imperatives and commitments of the Doha Ministerial Declaration, the decision of 1 August 2004 of the General Council of the World Trade Organization and the Hong Kong Ministerial Declaration;

4. *Underlines* the fact that the increasing interdependence of national economies in a globalizing world and the emergence of rule-based regimes for international economic relations have meant that the space for national economic policy, that is, the scope for domestic policies, especially in the areas of trade, investment and industrial development, is now often framed by international disciplines, commitments and global market considerations, that it is for each Government to evaluate the trade-off between the benefits of accepting international rules and commitments and the constraints posed by the loss of policy space, and that it is particularly important for developing countries that all countries take into account the need for appropriate balance between national policy space and international disciplines and commitments;

5. *Expresses its deep concern* at the imposition of laws and other forms of coercive economic measures, including unilateral sanctions against developing countries, which undermine international law and the rules of the World Trade Organization and also severely threaten the freedom of trade and investment;

6. *Reaffirms* the commitments made at the Fourth Ministerial Conference of the World Trade Organization[2] and at the Third United Nations Conference on the Least Developed Countries,[6] in this regard calls upon developed countries that have not already done so to provide immediate, predictable, duty-free and quota-free

[3] Report of the Trade and Development Board on its thirty-eighth and thirty-ninth executive sessions, the third part of its twenty-third special session and its fifty-third session (Supplement No. 15) (A/61/15 (Parts I to IV)).

[4] A/61/272.

[5] World Trade Organization, document WT/L/579. Available from http://docsonline.wto.org.

[6] See A/CONF.191/13.

market access on a lasting basis to all products originating from all least developed countries, also calls upon developing countries that are in a position to do so to extend duty-free and quota-free market access to exports of these countries, and in this context reaffirms the need to consider additional measures for progressive improvement in market access for least developed countries;

7. *Also reaffirms* the commitment to actively pursue the work programme of the World Trade Organization with respect to addressing the trade-related issues and concerns affecting the fuller integration of countries with small, vulnerable economies into the multilateral trading system in a manner commensurate with their special circumstances and in support of their efforts towards sustainable development, in accordance with paragraph 35 of the Doha Ministerial Declaration;

8. *Recognizes* the special problems and needs of the landlocked developing countries within a new global framework for transit transport cooperation for landlocked and transit developing countries, calls in this regard for the full and effective implementation of the Almaty Programme of Action,[7] and stresses the need for the implementation of the São Paulo Consensus,[8] in particular paragraphs 66 and 84 thereof, by the relevant international organizations and donors in a multi-stakeholder approach;

9. *Also recognizes* the need to ensure that the comparative advantage of developing countries is not undermined by any form of protectionism, including the arbitrary and abusive use of non-tariff measures, non-trade barriers and other standards to unfairly restrict the access of developing countries' products to developed countries' markets, reaffirms in this regard that developing countries should play an increasing role in the formulation of, inter alia, safety, environment and health standards, and recognizes the need to facilitate the increased and meaningful participation of the developing countries in the work of relevant international standard-setting organizations;

10. *Further recognizes* that South-South trade should be enhanced and further market access should continue to stimulate South-South trade;

11. *Recognizes* the role that a successful conclusion of the ongoing third round of negotiations on the Global System of Trade Preferences among Developing Countries can play in South-South trade;

12. *Calls for* accelerating the work on the development-related mandate concerning the Agreement on Trade-related Aspects of Intellectual Property Rights[9] in the Doha Ministerial Declaration, especially on issues of making intellectual property rules fully support the objectives of the Convention on Biological Diversity;[10]

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[7] *Report of the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation, Almaty, Kazakhstan, 28 and 29 August 2003* (A/CONF.202/3), annex I.

[8] TD/412, part II.

[9] See *Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT secretariat publication, Sales No. GATT/1994-7).

[10] United Nations, *Treaty Series*, vol. 1760, No. 30619.

13. *Also calls for* facilitating the accession of all developing countries, in particular the least developed countries, and countries emerging from conflict that apply for membership in the World Trade Organization, bearing in mind paragraph 21 of resolution 55/182 of 20 December 2002 and subsequent developments, and calls for the effective and faithful application of the World Trade Organization guidelines on accession by the least developed countries;

14. *Emphasizes* the need for further work to foster greater coherence between the multilateral trading system and the international financial system, and invites the United Nations Conference on Trade and Development, in fulfilment of its mandate, to undertake the relevant policy analysis in those areas and to operationalize such work, including through its technical assistance activities;

15. *Invites* donors and beneficiary countries to implement the recommendations of the Task Force on Aid for Trade established by the Director General of the World Trade Organization, which aims to support developing and least developed countries to build their supply and export capacities, including infrastructure and institutions development, and the need to increase their exports, and stresses in this regard the urgent need for its effective operationalization with sufficient additional, non-conditional and predictable funding;

16. *Welcomes* the effort being made for operationalization of the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries with increased additional, non-conditional and predictable financial resources to enhance the export and supply capacities of the least developed countries, and urges the development partners to increase their contributions to the Integrated Framework Trust Fund on a multi-year basis;

17. *Reiterates* the important role of the United Nations Conference on Trade and Development as the focal point within the United Nations system for the integrated treatment of trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development, and calls upon the international community to work towards the strengthening of the Conference, to enable it to enhance its contribution in its three major pillars, namely, consensus-building, research and policy analysis, and technical assistance, especially through increased core resources of the Conference;

18. *Invites* the United Nations Conference on Trade and Development, in accordance with its mandate, to monitor and assess the evolution of the international trading system and of trends in international trade from a development perspective, and, in particular, to analyse issues of concern to developing countries, supporting them in building capacities to establish their own negotiating priorities and negotiate trade agreements, including under the Doha work programme;

19. *Reaffirms* the fundamental role that competition law and policy can play for sound economic development and the validity of the United Nations Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices, as well as the important and useful role that the United Nations Conference on Trade and Development plays in this field, and decides to convene in 2010, under the auspices of the United Nations Conference on Trade and Development, a sixth United Nations conference to review all aspects of the Set;

20. *Urges* donors to provide the United Nations Conference on Trade and Development with the increased resources necessary to deliver effective and

demand-driven assistance to developing countries, as well as to enhance their contributions to the trust funds of the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries and the Joint Integrated Technical Assistance Programme;

21. *Requests* the Secretary-General, in collaboration with the secretariat of the United Nations Conference on Trade and Development, to submit to the General Assembly at its sixty-second session a report on the implementation of the present resolution and on developments in the multilateral trading system, under the sub-item entitled "International trade and development" of the item entitled "Macroeconomic policy questions".

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Macroeconomic policy questions: international financial system and development

Report of the Second Committee*

Rapporteur: Ms. Vanessa **Gomes** (Portugal)

I. Introduction

1. The Second Committee held a substantive debate on agenda item 51 (see A/61/420, para. 2). Action on sub-item (b) was taken at the 12th and 31st meetings, on 12 October and 22 November 2006. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/61/SR.12 and 31).

II. Consideration of draft resolutions A/C.2/61/L.3 and A/C.2/61/L.41

2. At the 12th meeting, on 12 October, the representative of South Africa, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "International financial system and development" (A/C.2/61/L.3), which read:

> "*The General Assembly*,
>
> "*Recalling* its resolutions 55/186 of 20 December 2000 and 56/181 of 21 December 2001, both entitled 'Towards a strengthened and stable international financial architecture responsive to the priorities of growth and development, especially in developing countries, and to the promotion of economic and social equity', as well as its resolutions 57/241 of 20 December

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2002, 58/202 of 23 December 2003, 59/222 of 22 December 2004 and 61/186 of 22 December 2005,

"*Recalling also* the United Nations Millennium Declaration and its resolution 56/210 B of 9 July 2002, in which it endorsed the Monterrey Consensus of the International Conference on Financing for Development, and the Plan of Implementation of the World Summit on Sustainable Development ('Johannesburg Plan of Implementation'),

"*Recalling further* the 2005 World Summit Outcome,

"*Recalling* its resolution 61/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and the other internationally agreed development goals,

"*Emphasizing* that the international financial system should further sustain economic growth and support sustainable development and hunger and poverty eradication, while allowing for the coherent mobilization of all sources of financing for development, including the mobilization of domestic resources, international investment flows, official development assistance, external debt relief and an open, equitable, rule-based, predictable and non-discriminatory global trading system,

"*Stressing* the importance of commitment to sound domestic financial sectors, which make a vital contribution to national development efforts, as an important component of an international financial architecture that is supportive of development,

"*Stressing also* that good governance at the international level is fundamental for achieving sustainable development, in this regard reiterating the importance of promoting global economic governance by addressing the international finance, trade, technology and investment patterns that have an impact on the development prospects of developing countries in order to ensure a dynamic and enabling international economic environment, and reiterating also that, to this effect, the international community should take all necessary and appropriate measures, including ensuring support for structural and macroeconomic reform, finding a comprehensive solution to the external debt problem and increasing the market access of developing countries,

"*Stressing* the urgent need to broaden and strengthen the participation of developing countries and countries with economies in transition in international economic decision-making and norm-setting, and to that end stressing the importance of continuing to advance the reform of the international financial architecture, and stressing also that the voting power of all developing countries should be expeditiously increased and protected,

"*Recognizing* the urgent need to enhance the coherence, governance and consistency of the international monetary, financial and trading systems and the importance of ensuring their openness, fairness and inclusiveness in order to complement national development efforts to ensure sustained economic growth and the achievement of the internationally agreed development goals, including the Millennium Development Goals,

"*Emphasizing* the need for additional stable and predictable financing to help developing countries undertake investment plans to achieve

internationally agreed development goals in a more challenging global environment,

"*Recognizing*, in this regard, the value of developing innovative sources of financing from various sources on a public, private, domestic and external basis to increase and supplement traditional sources of financing,

"*Reiterating* the need to strengthen the leadership role of the United Nations in promoting development,

"1. *Takes note* of the report of the Secretary-General;

"2. *Notes* that global economic growth and a stable international financial system, inter alia, can support the ability of developing countries to achieve internationally agreed development goals, including the Millennium Development Goals, and stresses the importance of cooperative efforts by all countries and institutions to cope with the risks of financial instability;

"3. *Emphasizes* that economic growth should be further strengthened and sustained, noting that global economic growth depends on national economic growth and that implementation of sound macroeconomic policies at all levels could significantly contribute to a revitalization of economic growth;

"4. *Invites* the World Bank, the International Monetary Fund, the regional development banks and other relevant institutions to further integrate development dimensions into their strategies and policies, consistent with their respective mandates;

"5. *Notes with great concern* that developing countries as a whole continue to experience a net outflow of financial resources, and reiterates the requests to the Secretary-General, in continuing collaboration with international financial institutions and other relevant bodies, to analyse the range of reasons and consequences for this in his report under this item;

"6. *Underlines* the importance of promoting international financial stability and sustainable growth, and welcomes the efforts undertaken to this end by the International Monetary Fund and the Financial Stability Forum, as well as the consideration by the International Monetary and Financial Committee of ways to sharpen tools designed to promote international financial stability and enhance crisis prevention, inter alia, through an even-handed implementation of surveillance, including at the regional level, and a sharpening of surveillance of capital markets and systemically and regionally important countries, with a view, inter alia, to the early identification of problems and risks, integrating debt sustainability analysis, the fostering of appropriate policy responses, the possible provision of financing and other instruments designed to prevent the emergence or spread of financial crises and further improvements in the transparency of macroeconomic data and statistical information on international capital flows;

"7. *Also underlines* the importance of efforts at the national level to increase resilience to financial risk, stresses in this regard the importance of better assessment of a country's debt burden and its ability to service that debt in both crisis prevention and resolution, and welcomes the ongoing work of the International Monetary Fund on assessing debt sustainability;

"8. *Invites* developed countries, in particular major industrialized economies, to take into account the effect of their macroeconomic policies on international growth and development;

"9. *Recognizes* the need for multilateral surveillance to remain at the centre of crisis prevention efforts and that surveillance should focus not only on crisis-prone countries but on the stability of the system as a whole;

"10. *Reiterates* that measures to mitigate the impact of excessive volatility of short-term capital flows and to improve transparency of and information about financial flows are important and must be considered;

"11. *Notes* the impact of financial crises or risk contagion in developing countries and countries with economies in transition, regardless of their size, and in this regard welcomes the efforts of the international financial institutions, in their support to countries, to continuously adapt their array of financial facilities and resources, drawing on a full range of policies, taking into account the effects of economic cycles, as and where appropriate, having due regard to sound fiscal management and the specific circumstances of each case, so as to prevent and respond to such crises in a timely and appropriate way;

"12. *Underscores* the importance of competitive and inclusive private and public financial markets in mobilizing and allocating savings towards productive investment and thus making a vital contribution to national development efforts and to an international financial architecture that is supportive of development;

"13. *Invites* the international financial and banking institutions to consider enhancing the transparency of risk-rating mechanisms, noting that sovereign risk assessments made by the private sector should maximize the use of strict, objective and transparent parameters, which can be facilitated by high-quality data and analysis, and encourages relevant development institutions, including the United Nations Conference on Trade and Development, to continue their work on this issue, including its potential impact on the development prospects of developing countries;

"14. *Stresses* the importance of strong domestic institutions in promoting business activities and financial stability for the achievement of growth and development, inter alia, through sound macroeconomic policies and policies aimed at strengthening the regulatory systems of the corporate, financial and banking sectors, and also stresses that international cooperation initiatives in those areas should encourage flows of capital to developing countries;

"15. *Underlines* the importance of reaching early agreement on a credible and time-bound package of reforms that would ensure an increase in the voice, representation and effective participation of developing countries in the Bretton Woods institutions, stresses that any package of reforms should include both an early and substantial increase in basic votes and a new quota formula that accurately reflects the relative economic size of developing countries in the world economy, calls upon the Bretton Woods institutions to take further and effective measures, and invites the World Bank and the International Monetary Fund to continue to provide information on this issue, using existing cooperation forums, including those involving Member States;

"16. *Emphasizes* that it is essential to ensure the effective and equitable participation of developing countries in the formulation of financial standards and codes, underscores the need to ensure their implementation, on a voluntary and progressive basis, as a contribution to reducing vulnerability to financial crisis and contagion, and notes that more than one hundred countries have participated in or agreed to participate in the joint World Bank-International Monetary Fund financial sector assessment programme;

"17. *Notes* the proposal to use special drawing rights allocations for development purposes, and considers that any assessment of special drawing rights allocations must respect the Articles of Agreement of the International Monetary Fund and the established rules of procedure of the Fund, which requires taking into account the global need for liquidity at the international level;

"18. *Takes note* of the initial discussion in the International Monetary Fund on a new instrument that would guarantee high-access financial support to developing countries with market access that have strong macroeconomic policies but nonetheless remain vulnerable to shocks, and stresses that such a facility must allow automatic and upfront drawings for eligible countries and that there should be no conditionality associated with the new facility beyond maintaining macroeconomic stability and reducing vulnerabilities;

"19. *Invites* the multilateral and regional development banks and development funds to continue to play a vital role in serving the development needs of developing countries and countries with economies in transition, including through coordinated action, as appropriate, and stresses that strengthened regional development banks and subregional financial institutions add flexible financial support to national and regional development efforts, thus enhancing their ownership and overall efficiency, and are an essential source of knowledge and expertise for their developing-country members;

"20. *Calls for* the continued effort of the multilateral financial institutions, in providing policy advice, technical assistance and financial support to member countries, to work on the basis of nationally owned reform and development strategies, to pay due regard to the special needs and implementing capacities of developing countries and countries with economies in transition and to minimize the negative impacts of the adjustment programmes on the vulnerable segments of society, while taking into account the importance of gender-sensitive employment and hunger and poverty eradication policies and strategies;

"21. *Stresses* the need to continuously improve standards of corporate and public sector governance, including accounting, auditing and measures to ensure transparency, noting the disruptive effects of inadequate policies;

"22. *Requests* the Secretary-General to submit a report to the General Assembly at its sixty-second session on the implementation of the present resolution;

"23. *Decides* to include in the provisional agenda of its sixty-second session, under the item entitled 'Macroeconomic policy questions', the sub-item entitled 'International financial system and development.'"

3. At its 31st meeting, on 22 November, the Committee had before it a draft resolution entitled "International financial system and development" (A/C.2/61/L.41) submitted by the Rapporteur of the Committee, Ms. Vanessa Gomes (Portugal), on the basis of informal consultations held on draft resolution A/C.2/61/L.3.

4. At the same meeting, the Committee adopted draft resolution A/C.2/61/L.41 (see para. 6).

5. In the light of the adoption of draft resolution A/C.2/61/L.41, draft resolution A/C.2/61/L.3 was withdrawn by its sponsors.

III. Recommendation of the Second Committee

6. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

International financial system and development

The General Assembly,

Recalling its resolutions 55/186 of 20 December 2000 and 56/181 of 21 December 2001, both entitled "Towards a strengthened and stable international financial architecture responsive to the priorities of growth and development, especially in developing countries, and to the promotion of economic and social equity", as well as its resolutions 57/241 of 20 December 2002, 58/202 of 23 December 2003, 59/222 of 22 December 2004 and 60/186 of 22 December 2005,

Recalling also the United Nations Millennium Declaration[1] and its resolution 56/210 B of 9 July 2002, in which it endorsed the Monterrey Consensus of the International Conference on Financing for Development[2] and the Plan of Implementation of the World Summit on Sustainable Development ("Johannesburg Plan of Implementation"),[3]

Recalling further the 2005 World Summit Outcome,[4]

Recalling its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and the other internationally agreed development goals,

Emphasizing that the international financial system should further sustain economic growth and support sustainable development and hunger and poverty eradication, while allowing for the coherent mobilization of all sources of financing for development, including the mobilization of domestic resources, international investment flows, official development assistance, external debt relief and an open, equitable, rule-based, predictable and non-discriminatory global trading system,

Stressing the importance of commitment to sound domestic financial sectors, which make a vital contribution to national development efforts, as an important component of an international financial architecture that is supportive of development,

Stressing also that good governance at the international level is fundamental for achieving sustainable development, in this regard reiterating the importance of promoting global economic governance by addressing the international finance, trade, technology and investment patterns that have an impact on the development prospects of developing countries in order to ensure a dynamic and enabling international economic environment, and reiterating also that, to this effect, the

[1] See resolution 55/2.

[2] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[3] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

[4] See resolution 60/1.

international community should take all necessary and appropriate measures, including ensuring support for structural and macroeconomic reform, finding a comprehensive solution to the external debt problem and increasing the market access of developing countries,

Reaffirming the commitment to broaden and strengthen the participation of developing countries and countries with economies in transition in international economic decision-making and norm-setting, stressing to that end the importance of continuing efforts to reform the international financial architecture, and acknowledging the need for continued discussion on the issue of voting power of developing countries in the Bretton Woods institutions, which remains a concern,

Recognizing the urgent need to enhance the coherence, governance and consistency of the international monetary, financial and trading systems and the importance of ensuring their openness, fairness and inclusiveness in order to complement national development efforts to ensure sustained economic growth and the achievement of the internationally agreed development goals, including the Millennium Development Goals,

Emphasizing the need for additional stable and predictable financing to help developing countries undertake investment plans to achieve internationally agreed development goals,

Recognizing, in this regard, the value of developing innovative sources of financing from various sources on a public, private, domestic and external basis to increase and supplement traditional sources of financing,

Welcoming the contribution to the mobilization of resources for development through innovative financing initiatives taken by groups of Member States,[5]

Reiterating the need to strengthen the leadership role of the United Nations in promoting development,

1. *Takes note* of the report of the Secretary-General;[6]

2. *Notes* that global economic growth and a stable international financial system, inter alia, can support the ability of developing countries to achieve internationally agreed development goals, including the Millennium Development Goals, and stresses the importance of cooperative efforts by all countries and institutions to cope with the risks of financial instability;

3. *Emphasizes* that economic growth should be further strengthened and sustained, noting that global economic growth depends on national economic growth and that implementation of sound macroeconomic policies at all levels could significantly contribute to a revitalization of economic growth;

4. *Invites* the World Bank, the International Monetary Fund, the regional development banks and other relevant institutions to further integrate development dimensions into their strategies and policies, consistent with their respective mandates, and to fully implement the principles stated in those strategies and policies, in particular the objectives of pro-poor growth and poverty reduction;

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[5] Including the International Drug Purchase Facility-UNITAID and the International Finance Facility for Immunization, and noting the commitment to launch a pilot project within the Advance Market Commitment initiative in 2006.

[6] A/61/136.

5. *Notes* that developing countries as a whole continue to experience a net outflow of financial resources, and requests the Secretary-General, in continuing collaboration with international financial institutions and other relevant bodies, to analyse the range of reasons and consequences for this in his report under this item;

6. *Also notes* that some developing countries have net inflows of financial resources, and requests the Secretary-General, in continuing collaboration with international financial institutions and other relevant bodies, to analyse the range of reasons and consequences for this in his report under this item;

7. *Underlines* the importance of promoting international financial stability and sustainable growth, and welcomes the efforts undertaken to this end by the International Monetary Fund and the Financial Stability Forum, as well as the consideration by the International Monetary and Financial Committee of ways to sharpen tools designed to promote international financial stability and enhance crisis prevention, inter alia, through an even-handed implementation of surveillance, including at the regional level, and a sharpening of surveillance of capital markets and systemically and regionally important countries, with a view, inter alia, to the early identification of problems and risks, integrating debt sustainability analysis, the fostering of appropriate policy responses, the possible provision of financing and other instruments designed to prevent the emergence or spread of financial crises and further improvements in the transparency of macroeconomic data and statistical information on international capital flows;

8. *Also underlines* the importance of efforts at the national level to increase resilience to financial risk, and in this regard welcomes progress that has been made in recent years, stresses the importance of better assessment of a country's debt burden and its ability to service that debt in both crisis prevention and resolution, and welcomes the ongoing work of the International Monetary Fund on assessing debt sustainability;

9. *Recognizes* the need for multilateral surveillance to remain at the centre of crisis prevention efforts and that surveillance should focus not only on crisis-prone countries but also on the stability of the system as a whole;

10. *Reiterates* that measures to mitigate the impact of excessive volatility of short-term capital flows and to improve transparency of and information about financial flows are important and must be considered;

11. *Notes* the impact of financial crises or risk contagion in developing countries and countries with economies in transition, regardless of their size, and in this regard welcomes the efforts of the international financial institutions, in their support to countries, to continuously adapt their array of financial facilities and resources, drawing on a full range of policies, taking into account the effects of economic cycles, as and where appropriate, having due regard to sound fiscal management and the specific circumstances of each case, so as to prevent and respond to such crises in a timely and appropriate way;

12. *Underscores* the importance of competitive and inclusive private and public financial markets in mobilizing and allocating savings towards productive investment and thus making a vital contribution to national development efforts and to an international financial architecture that is supportive of development;

13. *Invites* the international financial and banking institutions to consider enhancing the transparency of risk-rating mechanisms, noting that sovereign risk assessments made by the private sector should maximize the use of strict, objective and transparent parameters, which can be facilitated by high-quality data and analysis, and encourages relevant development institutions, including the United Nations Conference on Trade and Development, to continue their work on this issue, including its potential impact on the development prospects of developing countries;

14. *Stresses* the importance of strong domestic institutions in promoting business activities and financial stability for the achievement of growth and development, inter alia, through sound macroeconomic policies and policies aimed at strengthening the regulatory systems of the corporate, financial and banking sectors, and also stresses that international cooperation initiatives in those areas should encourage flows of capital to developing countries;

15. *Notes* the annual meeting of the International Monetary Fund, in September 2006, stresses the importance of early agreement on a credible and time-bound package of quota and voice reforms in the Fund, reiterates the need to effectively address the issue of enhancing the voice and participation of developing countries in the Bretton Woods institutions, encourages the Bretton Woods institutions to take further and effective measures, and invites the World Bank and the Fund to continue to provide information on this issue, using existing cooperation forums, including those involving Member States;

16. *Emphasizes* that it is essential to ensure the effective and equitable participation of developing countries in the formulation of financial standards and codes, underscores the need to ensure their implementation, on a voluntary and progressive basis, as a contribution to reducing vulnerability to financial crisis and contagion, and notes that more than one hundred countries have participated in or agreed to participate in the joint World Bank-International Monetary Fund financial sector assessment programme;[7]

17. *Notes* the proposal to use special drawing rights allocations for development purposes, and considers that any assessment of special drawing rights allocations must respect the Articles of Agreement of the International Monetary Fund and the established rules of procedure of the Fund, which requires taking into account the global need for liquidity at the international level;

18. *Also notes* the initial discussion in the International Monetary Fund on a new liquidity instrument that would enable high-access financial support to developing countries that have market access and strong economic policies but nonetheless remain vulnerable to shocks;

19. *Invites* the multilateral and regional development banks and development funds to continue to play a vital role in serving the development needs of developing countries and countries with economies in transition, including through coordinated action, as appropriate, and stresses that strengthened regional development banks and subregional financial institutions add flexible financial support to national and regional development efforts, thus enhancing their ownership and overall efficiency, and are an essential source of knowledge and expertise for their developing country members;

[7] See A/59/218 and Corr.1, para. 15.

20. *Calls for* the continued effort of the multilateral financial institutions, in providing policy advice, technical assistance and financial support to member countries, to work on the basis of nationally owned reform and development strategies, to pay due regard to the special needs and implementing capacities of developing countries and countries with economies in transition and to minimize the negative impacts of the adjustment programmes on the vulnerable segments of society, while taking into account the importance of gender-sensitive employment and hunger and poverty eradication policies and strategies;

21. *Stresses* the need to continuously improve standards of corporate and public sector governance, including accounting, auditing and measures to ensure transparency, noting the disruptive effects of inadequate policies;

22. *Requests* the Secretary-General to submit a report to the General Assembly at its sixty-second session on the implementation of the present resolution;

23. *Decides* to include in the provisional agenda of its sixty-second session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "International financial system and development".

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Macroeconomic policy questions: external debt crisis and development

Report of the Second Committee*

Rapporteur: Ms. Vanessa **Gomes** (Portugal)

I. Introduction

1. The Second Committee held a substantive debate on agenda item 51 (see A/61/420, para. 2). Action on sub-item (c) was taken at the 13th and 33rd meetings, on 17 October and 6 December 2006. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/61/SR.13 and 33).

II. Consideration of draft resolutions A/C.2/61/L.6 and A/C.2/61/L.54

2. At the 13th meeting, on 17 October, the representative of South Africa, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "External debt crisis and development" (A/C.2/61/L.6), which read:

> "*The General Assembly*,
>
> "*Recalling* its resolutions 58/203 of 23 December 2003, 59/223 of 22 December 2004 and 61/187 of 22 December 2005,
>
> "*Recalling also* the International Conference on Financing for Development and its outcome, which recognizes sustainable debt financing as an important element for mobilizing resources for public and private investment,

* The report of the Committee on this item will be issued in five parts, under the symbol A/61/420 and Add.1-4.

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"*Recalling further* the United Nations Millennium Declaration adopted on 8 September 2000,

"*Recalling* the 2005 World Summit Outcome,

"*Recalling also* its resolution 61/265 of 30 June 2006 on follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and other internationally agreed development goals,

"*Recalling further* its resolution 57/270 B of 23 June 2003,

"*Concerned* that some low- and middle-income developing countries that are not eligible for debt relief under the Heavily Indebted Poor Countries Initiative are still facing difficulties in finding a durable solution to meeting their external debt-servicing obligations, which could adversely affect their sustainable development,

"*Welcoming* the fact that the Heavily Indebted Poor Countries Initiative has enabled heavily indebted poor countries to markedly increase their expenditures on health, education and other social services consistent with national priorities and development plans, emphasizing in this regard the need to ensure that debt relief be in addition to and not a replacement for other sources of financing,

"*Stressing the importance* of addressing the challenges of those heavily indebted poor countries that are facing difficulties in reaching the completion point under the Initiative, and expressing concern that some heavily indebted poor countries continue to face substantial debt burdens and need to avoid rebuilding unsustainable debt burdens after reaching the completion point under the Initiative,

"*Emphasizing* that debt sustainability is essential for underpinning growth, and underlining the importance of debt sustainability to the efforts to achieve national development goals, including the Millennium Development Goals, and that countries should direct those financial resources freed through debt relief, in particular through debt reduction and cancellation, towards activities consistent with poverty eradication, sustained economic growth and sustainable development and the achievement of the internationally agreed development goals, including the Millennium Development Goals,

"1. *Takes note* of the report of the Secretary-General;

"2. *Emphasizes* the special importance of a timely, effective, comprehensive and durable solution to the debt problems of developing countries, since debt financing and relief can be an important source of capital for economic growth and development;

"3. *Notes with concern* that there remains a large number of countries characterized as severely indebted;

"4. *Emphasizes* that creditors and debtors must share responsibility for preventing unsustainable debt situations;

"5. *Reiterates* that debt sustainability depends on a confluence of many factors at the international and national levels, emphasizes that country-specific circumstances and the impact of external shocks should be taken into

account in debt sustainability analyses, underscores the fact that no single indicator should be used to make definitive judgements about debt sustainability, and in this regard, while acknowledging the need to use transparent and comparable indicators, invites the International Monetary Fund and the World Bank, in their assessment of debt sustainability, to take into account long-term development needs of countries and fundamental changes caused by, inter alia, natural disasters, conflicts, changes in global growth prospects or in the terms of trade, especially for commodity-dependent developing countries, and to continue to provide information on this issue using existing cooperation forums, including those involving Member States;

"6. *Underlines* the fact that the long-term sustainability of debt depends, inter alia, on the economic growth, mobilization of domestic resources and export prospects of debtor countries and, hence, on the creation of an enabling international environment conducive to development, progress in following sound macroeconomic policies, transparent and effective regulatory frameworks and success in overcoming structural development problems;

"7. *Recognizes* that enhanced market access for goods and services of export interest to developing countries contributes significantly to debt sustainability in those countries;

"8. *Calls for* the full and more expeditious implementation of the Heavily Indebted Poor Countries and Multilateral Debt Relief Initiatives in order to allow the remaining eligible countries to benefit from needed debt relief;

"9. *Notes with concern* that many heavily indebted poor countries continue to face difficulties in achieving lasting debt sustainability despite having graduated from the Heavily Indebted Poor Countries Initiative, stresses, therefore, the importance of promoting responsible borrowing and lending and the need to help those countries to manage their borrowing so as to avoid a build-up of unsustainable debt, including through the use of grants, and underlines the importance of additionality of debt relief and the scaling up of aid in the form of grants in order to assist the heavily indebted poor countries in their efforts to achieve their long-term development objectives;

"10. *Welcomes and encourages* the efforts of the heavily indebted poor countries, calls upon them to continue to improve their domestic policies and economic management, inter alia, through poverty reduction strategies, and to create a domestic environment conducive to private-sector development, economic growth and poverty reduction, including a stable macroeconomic framework, transparent and accountable systems of public finance, a sound business climate and a predictable investment climate, and in this regard invites all creditors, both private and public, to encourage those efforts, for example through further participation in the delivery of debt relief in the framework of the enhanced Heavily Indebted Poor Countries Initiative and continued provision of adequate and sufficiently concessional financing by international financing institutions and the donor community;

"11. *Stresses* that debt relief can play a key role in liberating resources that should be directed towards activities consistent with poverty eradication,

sustained economic growth and sustainable development and the achievement of the internationally agreed development goals, including the Millennium Development Goals, and in this regard urges countries to direct those resources freed through debt relief, in particular through debt cancellation and reduction, towards these objectives;

"12. *Also stresses* the need to consider, where appropriate, and on a case-by-case basis, significant debt relief or restructuring for low- and middle-income developing countries with an unsustainable debt burden that are not part of the Heavily Indebted Poor Countries Initiative as well as the exploration of innovative mechanisms to comprehensively address the debt problems of those countries, and underlines that this should be achieved in a way that does not detract from official development assistance resources, while maintaining the financial integrity of the multilateral financial institutions;

"13. *Invites* creditors and debtors to further explore, where appropriate, and on a mutually agreed basis, the use of innovative mechanisms such as debt swaps, including 'Debt for Equity in Millennium Development Goal Projects';

"14. *Urges* the bilateral and multilateral creditors of the least developed countries to take effective debt-relief measures, in particular through the total, expeditious and unconditional cancellation of all outstanding debt owed by the least developed countries;

"15. *Reiterates* its invitation to the World Bank and the International Monetary Fund to keep the overall implications of the debt sustainability framework for low-income countries under review, calls for transparency in the computation of the country policy and institutional assessments, and welcomes the intention to disclose the country performance ratings of the International Development Association that form part of the framework;

"16. *Stresses* the need for comprehensive solutions to the debt problems of middle-income developing countries, which are also facing growing debt burdens but are excluded from the Multilateral Debt Relief and Heavily Indebted Poor Countries processes, to help them meet their development needs, including their financial, technical and technological requirements;

"17. *Welcomes* the progress made under the Multilateral Debt Relief Initiative, which provides for cancellation of 100 per cent of debt claims of the International Monetary Fund, the International Development Association and the African Development Fund on those countries that have completed the Heavily Indebted Poor Countries Initiative, calls for an expeditious and full implementation of the Heavily Indebted Poor Countries Initiative and cancellation of debt claims under the Multilateral Debt Relief Initiative, and underlines the importance of eligible countries maintaining sound economic policies and performance;

"18. *Notes with concern* that, in spite of the progress achieved, some countries that have reached the completion point of the Heavily Indebted Poor Countries Initiative have not been able to achieve lasting debt sustainability, stresses the importance of promoting responsible borrowing and lending and the need to help those countries to manage their borrowing and to avoid a build-up of unsustainable debt, including through the use of grants, and in this

regard welcomes the ongoing work by the International Monetary Fund and the World Bank to develop a forward-looking debt sustainability framework for heavily indebted poor countries and low-income countries;

"19. *Encourages* the Paris Club, in dealing with the debt of low- and middle-income debtor countries that are not part of the Heavily Indebted Poor Countries Initiative, to take into account their medium-term debt sustainability in addition to their financing gaps, and welcomes the Paris Club objective to tailor debt restructuring to the financial needs of the country concerned to ensure long-lasting debt sustainability for countries that have adopted policies that will secure an exit from Paris Club reschedulings, and invites the Paris Club to provide debt reductions needed for that purpose;

"20. *Notes* that credit-rating agencies play a critical role in determining countries' access to international capital markets as well as the cost of such borrowing, and calls for measures henceforth to enhance transparency in the rating methodologies to increase competition and accountability among the major credit-rating agencies;

"21. *Acknowledges* the ongoing work towards a more comprehensive approach to sovereign debt restructuring, supports the increasing inclusion of collective action clauses in international bond issuing, takes note of the work on issues related to international arbitration and mediation mechanisms, and welcomes the efforts by borrowing countries and private-sector creditors to broaden the consensus on the Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets, which could contribute to strengthening crisis prevention and enhancing predictability of crisis management, bearing in mind the need not to preclude emergency financing in times of crisis, to promote fair burden-sharing and to minimize moral hazard;

"22. *Calls for* the consideration of additional measures and initiatives aimed at ensuring long-term debt sustainability through increased grant-based financing, cancellation of 100 per cent of the official multilateral and bilateral debt of heavily indebted poor countries and, where appropriate, and on a case-by-case basis, significant debt relief or restructuring for low- and middle-income developing countries with an unsustainable debt burden that are not part of the Heavily Indebted Poor Countries Initiative, as well as the exploration of mechanisms to comprehensively address the debt problems of those countries;

"23. *Calls upon* donor countries, taking into account country-specific debt sustainability analyses, to continue their efforts to increase bilateral grants to developing countries, which could contribute to debt sustainability in the medium to long term, and recognizes the need for countries to be able to invest, inter alia, in health and education while maintaining debt sustainability;

"24. *Welcomes* the current efforts of, and calls upon, the international community to provide flexibility, and stresses the need to continue those efforts in helping post-conflict developing countries, especially those that are heavily indebted and poor, to achieve initial reconstruction for economic and social development;

"25. *Also welcomes* the current efforts of, and calls upon, creditors to provide flexibility to developing countries affected by natural disasters on a case-by-case basis so as to allow them to address their debt concerns;

"26. *Further welcomes* the efforts of, and calls upon, the international community to support institutional capacity-building in developing countries for the management of financial assets and liabilities and to enhance sustainable debt management as an integral part of national development strategies;

"27. *Invites* the United Nations Conference on Trade and Development, the International Monetary Fund and the World Bank, in cooperation with the regional commissions, development banks and other relevant multilateral financial institutions, to continue cooperation in respect of capacity-building activities in developing countries in the area of debt management;

"28. *Calls upon* all Member States and the United Nations system, and invites the Bretton Woods institutions as well as the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those related to the question of the external debt problems of developing countries;

"29. *Requests* the Secretary-General to submit to the General Assembly at its sixty-second session a report on the implementation of the present resolution and to include in that report a comprehensive and substantive analysis of the external debt and debt-servicing problems of developing countries;

"30. *Decides* to include in the provisional agenda of its sixty-second session, under the item entitled 'Macroeconomic policy questions', the sub-item entitled 'External debt crisis and development'."

3. At its 33rd meeting, on 6 December, the Committee had before it a draft resolution entitled "External debt crisis and development" (A/C.2/61/L.54), submitted by the Rapporteur of the Committee on the basis of informal consultations held on draft resolution A/C.2/61/L.6.

4. At the same meeting, the Rapporteur orally corrected the draft resolution by adding a footnote to the ninth preambular paragraph, reading:

"Debt relief under the two initiatives is expected to reduce the debt stocks of the 29 heavily indebted poor countries that have reached the decision point by almost 90 per cent. 'Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) — Status of Implementation', prepared by the staffs of the International Development Association and the International Monetary Fund (August 2006)."

5. Also at the same meeting, the Committee adopted draft resolution A/C.2/61/L.54, as orally corrected (see para. 8).

6. After the adoption of the draft resolution, statements were made by the representatives of Switzerland, Finland (on behalf of the States Members of the United Nations that are members of European Union), the United States of America,

New Zealand and South Africa (on behalf of the States Members of the United Nations that are members of the Group of 77 and China) (see A/C.2/61/SR.33).

7. In the light of the adoption of draft resolution A/C.2/61/L.54, draft resolution A/C.2/61/L.6 was withdrawn by its sponsors.

III. Recommendation of the Second Committee

8. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

External debt crisis and development

The General Assembly,

Recalling its resolutions 58/203 of 23 December 2003, 59/223 of 22 December 2004 and 60/187 of 22 December 2005 on external debt crisis and development,

Recalling also the International Conference on Financing for Development and its outcome,[1] which recognizes sustainable debt financing as an important element for mobilizing resources for public and private investment,

Recalling further the United Nations Millennium Declaration adopted on 8 September 2000,[2]

Recalling the 2005 World Summit Outcome,[3]

Recalling also its resolution 60/265 of 30 June 2006 on follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and other internationally agreed development goals,

Recalling further its resolution 57/270 B of 23 June 2003,

Noting with satisfaction the improvement in the external debt situation of developing countries as a group in the course of the past year, but concerned that there remains a number of low- and middle-income developing countries that are still facing difficulties in finding a durable solution to their external debt problems, which could adversely affect their sustainable development,

Welcoming the fact that the Heavily Indebted Poor Countries Initiative has enabled heavily indebted poor countries to markedly increase their expenditures on health, education and other social services consistent with national priorities, development plans, and internationally agreed development goals, including the Millennium Development Goals,

Welcoming further the Multilateral Debt Relief Initiative,[4] which will make possible a marked increase in expenditures on health, education and other social services by heavily indebted poor countries consistent with national priorities and development plans,

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[1] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[2] See resolution 55/2.

[3] See resolution 60/1.

[4] Debt relief under the two initiatives is expected to reduce the debt stocks of the 29 heavily indebted poor countries that have reached the decision point by almost 90 per cent. "Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) — Status of Implementation", prepared by the staffs of the International Development Association and the International Monetary Fund (August 2006).

Stressing the importance of addressing the challenges of those heavily indebted poor countries that are facing difficulties in reaching the completion point under the Heavily Indebted Poor Countries Initiative, and expressing concern that some heavily indebted poor countries continue to face substantial debt burdens and need to avoid rebuilding unsustainable debt burdens after reaching the completion point under the Initiative,

Emphasizing that debt sustainability is essential for underpinning growth, and underlining the importance of debt sustainability to the efforts to achieve national development goals, including the Millennium Development Goals, and that countries should direct those financial resources freed through debt relief, in particular through debt reduction and cancellation, towards activities consistent with poverty eradication, sustained economic growth and sustainable development and the achievement of the internationally agreed development goals, including the Millennium Development Goals,

Convinced that enhanced market access for goods and services of export interest to developing countries contributes significantly to debt sustainability in those countries,

1. *Takes note* of the report of the Secretary-General;[5]

2. *Emphasizes* the special importance of a timely, effective, comprehensive and durable solution to the debt problems of developing countries, since debt financing and relief can be an important source of capital for economic growth and development;

3. *Also emphasizes* that creditors and debtors must share responsibility for preventing unsustainable debt situations;

4. *Reiterates* that debt sustainability depends on a confluence of many factors at the international and national levels, emphasizes that country-specific circumstances and the impact of external shocks should be taken into account in debt sustainability analyses, underlines the fact that no single indicator should be used to make definitive judgements about debt sustainability, and, in this regard, while acknowledging the need to use transparent and comparable indicators, invites the International Monetary Fund and the World Bank, in their assessment of debt sustainability, to take into account fundamental changes caused by, inter alia, natural disasters, conflicts and changes in global growth prospects or in the terms of trade, especially for commodity-dependent developing countries, and to continue to provide information on this issue using existing cooperation forums, including those involving Member States;

5. *Underlines* the fact that the long-term sustainability of debt depends, inter alia, on the economic growth, mobilization of domestic resources and export prospects of debtor countries and, hence, on the creation of an enabling international environment conducive to development, progress in following sound macroeconomic policies, transparent and effective regulatory frameworks and success in overcoming structural development problems;

6. *Welcomes* the introduction of the Multilateral Debt Relief Initiative, and calls for its full and timely implementation and the provision of additional resources

[5] A/61/152.

to ensure that the financial capacity of the international financial institutions is not reduced;

7. *Emphasizes* in this regard that debt relief does not replace other sources of financing;

8. *Urges* donors to ensure that their commitments to the Multilateral Debt Relief Initiative and the Heavily Indebted Poor Countries Initiative be additional to existing aid flows, and stresses that full compensation by donors on the basis of fair burden-sharing for the Multilateral Debt Relief Initiative costs of relevant financial institutions is essential;

9. *Notes with concern* that, in spite of the progress achieved, some countries that have reached the completion point of the Heavily Indebted Poor Countries Initiative have not been able to achieve lasting debt sustainability, stresses the importance of promoting responsible borrowing and lending and the need to help those countries to manage their borrowing and to avoid a build-up of unsustainable debt, including through the use of grants and concessional loans, underlines the importance of the joint Debt Sustainability Framework of the International Monetary Fund and the World Bank for low-income countries in helping to ensure that new borrowing in post-Multilateral Debt Relief Initiative countries does not undermine their long-term debt sustainability, looks forward to the review of the Framework, and encourages the application of the improved Framework in lending and borrowing decisions;

10. *Welcomes and encourages* the efforts of the heavily indebted poor countries, calls upon them to continue to improve their domestic policies and economic management, inter alia, through poverty reduction strategies, and to create a domestic environment conducive to private-sector development, economic growth and poverty reduction, including a stable macroeconomic framework, transparent and accountable systems of public finance, a sound business climate and a predictable investment climate, and in this regard invites creditors, both private and public, who are not yet fully participating in the Heavily Indebted Poor Countries Initiative to substantially increase their participation in the delivery of debt relief, and invites the international financing institutions and the donor community to continue to provide adequate and sufficiently concessional financing;

11. *Stresses* that debt relief can play a key role in liberating resources that should be directed towards activities consistent with poverty eradication, sustained economic growth and sustainable development and the achievement of the internationally agreed development goals, including the Millennium Development Goals, and in this regard urges countries to direct those resources freed through debt relief, in particular through debt cancellation and reduction, towards those objectives;

12. *Calls for* the consideration of additional measures and initiatives aimed at ensuring long-term debt sustainability through increased grant-based financing, cancellation of 100 per cent of the official multilateral and bilateral debt of heavily indebted poor countries and, where appropriate, and on a case-by-case basis, significant debt relief or restructuring for low- and middle-income developing countries with an unsustainable debt burden that are not part of the Heavily Indebted Poor Countries Initiative, as well as the exploration of mechanisms to comprehensively address the debt problems of those countries;

13. *Encourages* the Paris Club, in dealing with the debt of low- and middle-income debtor countries that are not part of the Heavily Indebted Poor Countries Initiative, to take into account their medium-term debt sustainability in addition to their financing gaps, and takes note with appreciation of the Evian approach of the Paris Club in providing terms of debt relief tailored to the specific needs of debtor countries while preserving debt cancellation for heavily indebted poor countries;

14. *Stresses* the need to significantly address debt problems of middle-income developing countries, and in this regard stresses the importance of the Evian approach of the Paris Club as a practical means to address this issue;

15. *Invites* creditors and debtors to continue to use, where appropriate and on a case-by-case basis, mechanisms such as debt swaps for alleviating the debt burden of low- and middle-income developing countries with an unsustainable debt burden that are not eligible for assistance under the Heavily Indebted Poor Countries Initiative, and takes note of the discussions and assessment by the Paris Club of the proposal for "Debt for Equity in Millennium Development Goal Projects";

16. *Stresses* the need to continue to take effective measures, preferably within the existing frameworks, to address the debt problems of the least developed countries, including through cancellation of the multilateral and bilateral debt owed by least developed countries to creditors, both public and private;

17. *Reiterates* its invitation to the World Bank and the International Monetary Fund to keep the overall implications of the debt sustainability framework for low-income countries under review, calls for transparency in the computation of the country policy and institutional assessments, and takes note of the disclosure of the country performance ratings of the International Development Association that form part of the framework;

18. *Notes* that credit rating agencies play an important role in determining countries' access to international capital markets and the cost of such borrowing, and, in this regard, calls upon the international financial and banking institutions to consider enhancing the transparency of risk rating mechanisms and notes that sovereign risk assessments made by the private sector should maximize the use of strict, objective and transparent parameters, which can be facilitated by high-quality data and analysis;

19. *Invites* donor countries, taking into account country-specific debt sustainability analyses, to continue their efforts to increase bilateral grants to developing countries, which could contribute to debt sustainability in the medium to long term, and recognizes the need for countries to be able to invest, inter alia, in health and education while maintaining debt sustainability;

20. *Welcomes* the efforts of, and calls upon, the international community to provide flexibility, and stresses the need to continue those efforts in helping post-conflict developing countries, especially those that are heavily indebted and poor, to achieve initial reconstruction for economic and social development;

21. *Also welcomes* the efforts of and invites creditors to provide flexibility to developing countries affected by natural disasters on a case-by-case basis so as to allow them to address their debt concerns;

22. *Further welcomes* the efforts of, and calls upon, the international community to support institutional capacity-building in developing countries for the

management of financial assets and liabilities and to enhance sustainable debt management as an integral part of national development strategies;

23. *Invites* the United Nations Conference on Trade and Development, the International Monetary Fund and the World Bank, in cooperation with the regional commissions, development banks and other relevant multilateral financial institutions and stakeholders, to continue cooperation in respect of capacity-building activities in developing countries in the area of debt management;

24. *Calls upon* all Member States and the United Nations system, and invites the Bretton Woods institutions and the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those related to the question of the external debt problems of developing countries;

25. *Requests* the Secretary-General to submit to the General Assembly at its sixty-second session a report on the implementation of the present resolution and to include in that report a comprehensive and substantive analysis of the external debt situation and debt-servicing problems of developing countries;

26. *Decides* to include in the provisional agenda of its sixty-second session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "External debt crisis and development".

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Macroeconomic policy questions: commodities

Report of the Second Committee*

Rapporteur: Ms. Vanessa **Gomes** (Portugal)

I. Introduction

1. The Second Committee held a substantive debate on agenda item 51 (see A/61/420, para. 2). Action on sub-item (d) was taken at the 12th, 13th, 32nd and 33rd meetings, on 12 and 17 October and 1 and 6 December 2006. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/61/SR.12, 13, 32 and 33).

II. Consideration of proposals

A. Draft resolutions A/C.2/61/L.2 and A/C.2/61/L.52

2. At the 12th meeting, on 12 October, the representative of South Africa, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "International Year of Natural Fibres" (A/C.2/61/L.2), which read:

> "*The General Assembly*,
>
> "*Noting* resolution 3/2005 of 25 November 2005 of the Conference of the Food and Agriculture Organization of the United Nations,
>
> "*Noting also* that the diverse range of natural fibres produced in many countries provide an important source of income for farmers, and that natural fibres can play an important role in contributing to food security and in eradicating poverty and hence in contributing to the achievement of the Millennium Development Goals,

* The report of the Committee on this item will be issued in five parts, under the symbol A/61/420 and Add.1-4.

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"1. *Decides* to proclaim 2009 as the International Year of Natural Fibres;

"2. *Invites* the Food and Agriculture Organization of the United Nations to facilitate the observance of the International Year of Natural Fibres, in collaboration with Governments, regional and international organizations, non-governmental organizations and the private sector and relevant organizations of the United Nations system and further invites the Food and Agriculture Organization to keep the General Assembly informed of progress made in this regard;

"3. *Calls upon* Governments and relevant regional and international organizations to make voluntary contributions in accordance with the guidelines for international years and anniversaries as contained in the annex to Economic and Social Council resolution 1980/67 and to lend other forms of support to the International Year of Natural Fibres;

"4. *Invites* non-governmental organizations and the private sector to make voluntary contributions to and to support the International Year of Natural Fibres, in accordance with the guidelines of the Economic and Social Council;

"5. *Encourages* all Governments, the United Nations system and all other actors to take advantage of the International Year of Natural Fibres in order to increase awareness of the importance of these natural products."

3. At its 32nd meeting, on 1 December, the Committee had before it a draft resolution entitled "International Year of Natural Fibres" (A/C.2/61/L.52), submitted by the Rapporteur of the Committee, Vanessa Gomes (Portugal), on the basis of informal consultations held on draft resolution A/C.2/61/L.2.

4. At the same meeting, the Rapporteur orally corrected the draft resolution as follows:

(a) In operative paragraph 3, after the words "voluntary contributions", the words "in accordance with the guidelines for international years and anniversaries as contained in the annex of Economic and Social Council resolution 1980/67" were deleted;

(b) At the end of operative paragraph 4, the words "in accordance with the guidelines of the Economic and Social Council" were deleted.

5. Also at the same meeting, the Committee was informed that the draft resolution had no programme budget implications.

6. Also at its 32nd meeting, the Committee adopted draft resolution A/C.2/61/L.52, as orally corrected (see para. 15, draft resolution I).

7. In the light of the adoption of draft resolution A/C.2/61/L.52, draft resolution A/C.2/61/L.2 was withdrawn by its sponsors.

B. Draft resolutions A/C.2/61/L.7 and A/C.2/61/L.56

8. At the 13th meeting, on 17 October, the representative of South Africa, on behalf of the States Members of the United Nations that are members of the Group

of 77 and China, introduced a draft resolution entitled "Commodities" (A/C.2/61/L.7), which read:

"*The General Assembly*,

"*Recalling* resolution 59/224 of 22 December 2004 and stressing the urgent need to ensure its full implementation,

"*Recalling also* the United Nations Millennium Declaration adopted by Heads of State and Government on 8 September 2000, the 2005 World Summit Outcome adopted on 16 September 2005 and its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and the other internationally agreed development goals,

"*Recalling further* the International Conference on Financing for Development and its outcome,

"*Recalling* the Plan of Implementation of the World Summit on Sustainable Development ('Johannesburg Plan of Implementation'),

"*Recalling also* the Programme of Action for the Least Developed Countries for the Decade 2001-2010 and the outcome of the high-level meeting of the sixty-first session of the General Assembly on the midterm comprehensive global review of the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010, held in New York on 19 and 20 September 2006, and taking note of the *Least Developed Countries Report, 2004*,

"*Taking note* of the Arusha Declaration and Plan of Action on African Commodities, adopted at the African Union Conference of Ministers of Trade on Commodities, held in Arusha from 21 to 23 November 2005, and endorsed by the Executive Council of the African Union at its eighth ordinary session, held in Khartoum from 16 to 21 January 2006,

"*Taking note also* of the reports of the Trade and Development Board on its fifty-third session, held in Geneva from 27 September to 2 October and on 10 October 2006, and its twenty-third special session, held in Geneva from 8 to 11 May, from 12 to 15 June and from 3 to 10 October 2006,

"*Recognizing* that many developing countries are highly dependent on primary commodities as their principal source of export revenues, employment, income-generation and domestic savings, and as the driving force of investment, economic growth and social development,

"*Deeply concerned* that, in spite of the recent increase in some commodity prices, the fundamental causes underlying the declining price trend have not been addressed, and that supply capacity problems and difficulties with effective participation in value chains also prevent many developing countries from obtaining full benefits from the current positive conditions,

"*Recognizing* that trade in commodities is a fundamental component of international trade,

"*Taking note* of the targets set out in the Rome Declaration on World Food Security and the Plan of Action of the World Food Summit and the

outcome document of the World Food Summit: five years later, which reaffirms the pledge to end hunger and poverty,

"1. *Reiterates* the importance of maximizing the contribution of the commodity sector to sustained economic growth and sustainable development, while continuing with diversification efforts in commodity-dependent developing countries;

"2. *Recalls* the potential of regional integration and cooperation to improve the effectiveness of traditional commodity sectors and support diversification efforts;

"3. *Reaffirms* the commitments made in the Doha Ministerial Declaration, the Ministerial Declaration adopted at the Sixth Ministerial Conference of the World Trade Organization, held in Hong Kong, China, from 13 to 18 December 2005, and the decision of the General Council of the World Trade Organization of 1 August 2004 to fulfil the development dimensions of the Doha Development Agenda, which places the needs and interests of developing countries, particularly the least developed countries, at the heart of the Doha Work Programme and calls for the successful and timely completion of the Doha round of trade negotiations with the full realization of the development dimensions of the Doha Work Programme;

"4. *Expresses concern* over the suspension of the Doha round of trade negotiations, calls for their early resumption and successful development-oriented outcome adhering fully to the agreed mandate in the Doha Ministerial Declaration, the Framework adopted by the General Council of the World Trade Organization in its decision of 1 August 2004 and the Hong Kong Ministerial Declaration, in order to address, inter alia, the fundamental issue of the serious distortions in production and trade in agricultural products caused by the high levels of subsidies and protection provided by many developed countries;

"5. *Calls upon* developed countries that have not already done so to work towards the objective of providing duty-free and quota-free market access for all least developed country products, and encourages developing countries in a position to do so to contribute to improved market access for the least developed countries;

"6. *Calls upon* the international community to address the lack of competitiveness with respect to trade in commodities and to implement measures necessary to improve livelihoods and food security in commodity-dependent developing countries;

"7. *Stresses* that the adoption or enforcement of any measures necessary to protect human, animal or plant life or health should not be applied in a manner that would constitute arbitrary and abusive use of non-tariff measures, non-trade barriers or other standards to unfairly restrict access of developing countries' products to developed countries' markets, reaffirms in this regard that developing countries should play an increasing role in the formulation of, inter alia, safety, environment and health standards, and recognizes the need to facilitate the increased and meaningful participation of developing countries in the work of relevant international standard-setting organization;

"8. *Calls for* capacity-building support by relevant international organizations, by developed countries and by the enterprise sector in the context of corporate social responsibility programmes, to enable developing countries to put in place measures that are appropriate and necessary for meeting standards and other market requirements, and invites the relevant intergovernmental organizations to establish procedures for elaborating product and process standards that take into account the interests and capabilities of developing countries;

"9. *Invites* international financial organizations, other donors and the United Nations Conference on Trade and Development to revisit the operational modalities of international commodity, finance and risk management facilities, including compensatory schemes;

"10. *Stresses* that technical assistance and capacity-building aimed at improving competitiveness of commodity producers is particularly important and calls upon the donor community to increase resources for commodity-specific, financial and technical assistance, particularly for capacity-building of developing countries, with a view to enhancing their commodity trade and development;

"11. *Emphasizes* the importance of official development assistance for agriculture and rural development, and in this regard urges developed countries to reinforce their assistance in those sectors and to increase their financial and technical support for activities aimed at addressing commodity issues, in particular the needs and problems of commodity-dependent developing countries;

"12. *Invites* developing countries, in cooperation with developed countries and relevant international organizations, to establish medium- and long-term commodity development programmes geared towards enhancing research for product diversification, and improving production, productivity, value addition and competitiveness of developing countries' commodities;

"13. *Underlines* the need to strengthen the Common Fund for Commodities and encourages it, in cooperation with the International Trade Centre UNCTAD/WTO, the United Nations Conference on Trade and Development and other relevant bodies, to continue to strengthen the activities covered by its Second Account in developing countries with its supply chain concept of improving access to markets and reliability of supply, enhancing diversification and addition of value, improving the competitiveness of commodities, strengthening the market chain, improving market structures, broadening the export base and ensuring the effective participation of all stakeholders;

"14. *Recognizes* that developed countries account for two thirds of non-fuel commodity imports and stresses the urgent need for supportive international policies and measures to improve the functioning of the commodity markets through efficient and transparent price-formation mechanisms, including commodity exchanges, and to facilitate the use of viable and effective commodity price risk management instruments;

"15. *Calls upon* developed countries, the United Nations Conference on Trade and Development and other relevant international organizations to

support training and awareness-building programmes on the functioning of commodity exchanges and their use, in a development-oriented manner, in supporting small farmers and in supporting capacity-building programmes in developing countries;

"16. *Reiterates* the role of the United Nations Conference on Trade and Development in addressing commodities issues in a comprehensive way in accordance with relevant General Assembly resolutions and the provisions of the São Paulo Consensus, adopted by the Conference at its eleventh session, and in this regard invites the developed countries to provide the resources required to enable the Conference to undertake these activities;

"17. *Expresses concern* that the International Task Force on Commodities launched at the eleventh session of the United Nations Conference on Trade and Development has not entered into force owing to the absence of financial support from Member States and calls upon all stakeholders to provide the required financial support for the timely establishment of the Task Force;

"18. *Requests* the Secretary-General of the United Nations, in collaboration with the secretariat of the United Nations Conference on Trade and Development, to submit a report with recommendations on the implementation of the present resolution, and to report on world commodity trends and prospects, to the General Assembly at its sixty-second session;

"19. *Decides* to include in the provisional agenda of its sixty-second session, under the item entitled 'Macroeconomic policy questions', the sub-item entitled 'Commodities'."

9. At its 33rd meeting, on 6 December, the Committee had before it a draft resolution entitled "Commodities" (A/C.2/61/L.56), submitted by the Rapporteur on the basis of informal consultations held on draft resolution A/C.2/61/L.7.

10. At the same meeting, the Rapporteur orally corrected the fifth preambular paragraph of the draft resolution by replacing the words "Declaration of the high-level meeting" with the words "outcome of the high-level meeting".

11. Also at the same meeting, the Committee was informed that the draft resolution had no programme budget implications.

12. Also at its 33rd meeting, the Committee adopted draft resolution A/C.2/61/L.56, as orally corrected (see para. 15, draft resolution II).

13. In the light of the adoption of draft resolution A/C.2/61/L.56, draft resolution A/C.2/61/L.7 was withdrawn by its sponsors.

14. After the adoption of the draft resolution, statements were made by the representatives of the United States of America and the Republic of Korea (see A/C.2/61/SR.33).

III. Recommendation of the Second Committee

15. The Second Committee recommends to the General Assembly the adoption of the following draft resolutions:

Draft resolution I
International Year of Natural Fibres

The General Assembly,

Noting resolution 3/2005 of 25 November 2005 of the Conference of the Food and Agriculture Organization of the United Nations,

Noting also that the diverse range of natural fibres produced in many countries provides an important source of income for farmers, and thus can play an important role in contributing to food security and in eradicating poverty and hence in contributing to the achievement of the Millennium Development Goals,

1. *Decides* to proclaim 2009 the International Year of Natural Fibres;

2. *Invites* the Food and Agriculture Organization of the United Nations to facilitate the observance of the Year, in collaboration with Governments, regional and international organizations, non-governmental organizations, the private sector and relevant organizations of the United Nations system, and also invites the Food and Agriculture Organization of the United Nations to keep the General Assembly informed of progress made in this regard;

3. *Calls upon* Governments and relevant regional and international organizations to make voluntary contributions and to lend other forms of support to the Year;

4. *Invites* non-governmental organizations and the private sector to make voluntary contributions to and to support the Year;

5. *Encourages* all Governments, the United Nations system and all other actors to take advantage of the Year in order to increase awareness of the importance of these natural products.

Draft resolution II
Commodities

The General Assembly,

Recalling its resolution 59/224 of 22 December 2004, and stressing the urgent need to ensure its full implementation,

Recalling also the United Nations Millennium Declaration adopted by Heads of State and Government on 8 September 2000,[1] the 2005 World Summit Outcome adopted on 16 September 2005[2] and its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals, and the other internationally agreed development goals,

Recalling further the International Conference on Financing for Development and its outcome,[3]

Recalling the Plan of Implementation of the World Summit on Sustainable Development ("Johannesburg Plan of Implementation"),[4]

Recalling also the Programme of Action for the Least Developed Countries for the Decade 2001-2010[5] and the outcome of the high-level meeting of the sixty-first session of the General Assembly on the midterm comprehensive global review of the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010, held in New York on 18 and 19 September 2006,[6] and taking note of the *Least Developed Countries Report, 2004*,[7]

Taking note of the Arusha Declaration and Plan of Action on African Commodities,[8] adopted at the African Union Conference of Ministers of Trade on Commodities, held in Arusha from 21 to 23 November 2005, and endorsed by the Executive Council of the African Union at its eighth ordinary session, held in Khartoum from 16 to 21 January 2006,[9]

Taking note also of the reports of the Trade and Development Board on its fifty-third session, held in Geneva from 27 September to 2 October and on 10 October 2006,[10] and its twenty-third special session, held in Geneva from 8 to 11 May, from 12 to 15 June and from 3 to 10 October 2006,[11]

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[1] See resolution 55/2.

[2] See resolution 60/1.

[3] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[4] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

[5] A/CONF.191/13, chap. II.

[6] See resolution 61/1.

[7] United Nations publication, Sales No. E.04.II.D.27.

[8] African Union, document AU/Min/Com/Decl.

[9] See A/60/693, annex II, decision EX.CL/Dec.253 (VIII).

[10] TD/B/53/8 (vol. I).

[11] TD/B(S-XXIII)/4, 5 and 7 (vol. I).

Recognizing that many developing countries are highly dependent on primary commodities as their principal source of export revenues, employment, income-generation and domestic savings, and as the driving force of investment, economic growth and social development,

Deeply concerned that, despite the recent increase in some commodity prices, the causes underlying the declining price trend in other commodities have not been addressed, including supply capacity problems, difficulties with effective participation in value chains and lack of diversification of their production and export base, all of which prevent many developing countries from obtaining full benefits from the current positive conditions,

Recognizing that trade in commodities is a fundamental component of international trade,

Taking note of the targets set out in the Rome Declaration on World Food Security and the Plan of Action of the World Food Summit[12] and the outcome document of the World Food Summit: five years later,[13] which reaffirms the pledge to end hunger and poverty,

1. *Reiterates* the importance of maximizing the contribution of the commodity sector to sustained economic growth and sustainable development, while continuing with diversification efforts in commodity-dependent developing countries;

2. *Recalls* the potential of regional integration and cooperation to improve the effectiveness of traditional commodity sectors and support diversification efforts;

3. *Recognizes* that developed countries account for two thirds of non-fuel commodity imports, and expresses the urgent need for supportive international policies and measures to improve the functioning of the commodity markets through efficient and transparent mechanisms, including commodity exchanges;

4. *Reiterates* the importance of expanded South-South trade and investment in commodities;

5. *Emphasizes* the need for efforts by the developing countries that are heavily dependent on primary commodities to continue to promote a domestic policy and an institutional environment that encourages diversification and liberalization of the trade and export sectors and enhance competitiveness;

6. *Reaffirms* that each country has primary responsibility for its own economic and social development, and recognizes that an effective enabling environment at the national and international levels entails, inter alia, a sound macroeconomic framework, competitive markets, clearly defined property rights, an attractive investment climate, good governance, the absence of corruption and well-designed regulatory policies that protect the public interest and generate public confidence in market operations;

[12] Food and Agriculture Organization of the United Nations, *Report of the World Food Summit, 13-17 November 1996* (WFS 96/REP), part one, appendix.

[13] Food and Agriculture Organization of the United Nations, *Report of the World Food Summit: five years later, 10-13 June 2002*, part one, appendix; see also A/57/499, annex.

7. *Also reaffirms* the commitments made in the Doha Ministerial Declaration,[14] the Hong Kong Ministerial Declaration[15] and the decision of the General Council of the World Trade Organization of 1 August 2004[16] to meaningfully integrate the developing and the least developed countries into the multilateral trading system, and calls for the successful and timely completion of the Doha round of trade negotiations with the full realization of the development dimensions of the Doha work programme;

8. *Expresses concern* over the suspension of the Doha round of trade negotiations, and calls for their early resumption and successful development-oriented outcome adhering fully to the agreed mandate in the Doha Ministerial Declaration, the Framework adopted by the General Council of the World Trade Organization in its decision of 1 August 2004 and the Hong Kong Ministerial Declaration;

9. *Calls upon* developed countries and developing countries declaring themselves in a position to do so to provide duty-free and quota-free market access on a lasting basis for all products originating from all least developed countries, consistent with the Hong Kong Ministerial Declaration;

10. *Encourages* developing countries, with the necessary support of donor countries and the international community, to formulate specific commodity policies so as to contribute to the facilitation of trade expansion, the reduction of vulnerability and the improvement of livelihood and food security, by:

(a) Creating an enabling environment that encourages the participation of rural producers and small farmers;

(b) Continuing the diversification of the commodity sector and enhancing its competitiveness in developing countries that are heavily dependent on commodities;

(c) Increasing technology development and improving information systems, institutions and human resources;

11. *Stresses* that the adoption or enforcement of any measures necessary to protect human, animal or plant life or health should not be applied in a manner that would constitute arbitrary or unjustifiable use of non-tariff measures, non-trade barriers or other standards to unfairly restrict access of developing countries' products, reaffirms in this regard that developing countries should play an increasing role in the formulation of, inter alia, safety, environmental and health standards, and recognizes the need to facilitate the increased and meaningful participation of developing countries in the work of relevant international standard-setting organizations;

12. *Calls for* capacity-building support by the relevant international organizations and developed countries, encourages the private sector, in the context of corporate responsibility and accountability as well as responsible business practices, to enable developing countries to put in place measures that are appropriate and necessary for meeting market requirements and standards, inter alia, quality control standards, and invites the relevant intergovernmental organizations to establish procedures for elaborating product and process standards that take into

[14] See A/C.2/56/7, annex.

[15] World Trade Organization, document WT/MIN(05)/DEC.

[16] World Trade Organization, document WT/L/579.

account the interests and capabilities of developing countries without jeopardizing the legitimate objective for developed as well as developing countries of protecting human, animal and plant life or health consistent with the General Agreement on Tariffs and Trade and the relevant agreements of the World Trade Organization;

13. *Invites* international financial organizations, other donors and the United Nations Conference on Trade and Development to revisit the operational modalities of international commodity, as well as to consider finance and risk management facilities and programmes;

14. *Stresses* that technical assistance and capacity-building aimed at improving the competitiveness of commodity producers is particularly important, and urges the donor community to increase resources for commodity-specific, financial and technical assistance, in particular for human and institutional capacity-building, as well as infrastructure development of developing countries, with a view to reducing their institutional bottlenecks and transaction costs and enhancing their commodity trade and development in accordance with national development plans;

15. *Emphasizes* the importance of official development assistance for agriculture and rural development, and in this regard calls upon the donor community to reinforce its assistance in those sectors, and to increase its financial and technical support for activities aimed at addressing commodity issues, in particular the needs and problems of commodity-dependent developing countries;

16. *Invites* developing countries, in cooperation with developed countries and relevant international organizations, to establish medium and long-term commodity development programmes geared towards enhancing research for product diversification and improving the production, productivity, value addition and competitiveness of developing countries' commodities;

17. *Underlines* the need to strengthen the Common Fund for Commodities, and encourages it, in cooperation with the International Trade Centre UNCTAD/WTO, the United Nations Conference on Trade and Development and other relevant bodies, to continue to strengthen the activities covered by its Second Account in developing countries with its supply chain concept of improving access to markets and reliability of supply, enhancing diversification and addition of value, improving the competitiveness of commodities, strengthening the market chain, improving market structures, broadening the export base and ensuring the effective participation of all stakeholders;

18. *Calls upon* developed countries, the United Nations Conference on Trade and Development and other relevant international organizations to support training and awareness-building programmes on the functioning of commodity exchanges and their use, in a development-oriented manner, in supporting and enabling small farmers and in supporting capacity-building programmes in developing countries in accordance with national development plans;

19. *Reiterates* the role of the United Nations Conference on Trade and Development in addressing commodities issues in a comprehensive way in accordance with relevant General Assembly resolutions and the provisions of the São Paulo Consensus, adopted by the Conference at its eleventh session,[17] and in

[17] TD/412, part II.

this regard calls upon the donor community to provide the resources required to enable the Conference to undertake these activities;

20. *Expresses concern* that the International Task Force on Commodities launched at the eleventh session of the United Nations Conference on Trade and Development has not yet entered into force, and calls upon interested stakeholders to provide voluntary financial support for the timely establishment of the Task Force;

21. *Requests* the Secretary-General of the United Nations, in collaboration with the secretariat of the United Nations Conference on Trade and Development, to submit a report with recommendations on the implementation of the present resolution and to report on world commodity trends and prospects to the General Assembly at its sixty-third session;

22. *Decides* to include in the provisional agenda of its sixty-third session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "Commodities".